
Small Employer Purchasing Programs: One Coalition's Experience

OCI Task Force
November 27, 2000

The Alliance Profile

- ▲ **Structured as an employer-owned, non-profit cooperative**
- ▲ **Incorporated in the spring of 1990 with seven founding companies**
- ▲ **Currently represents over 180 large to mid-size employers and over 1,000 small employers—combined over 105,000 lives**

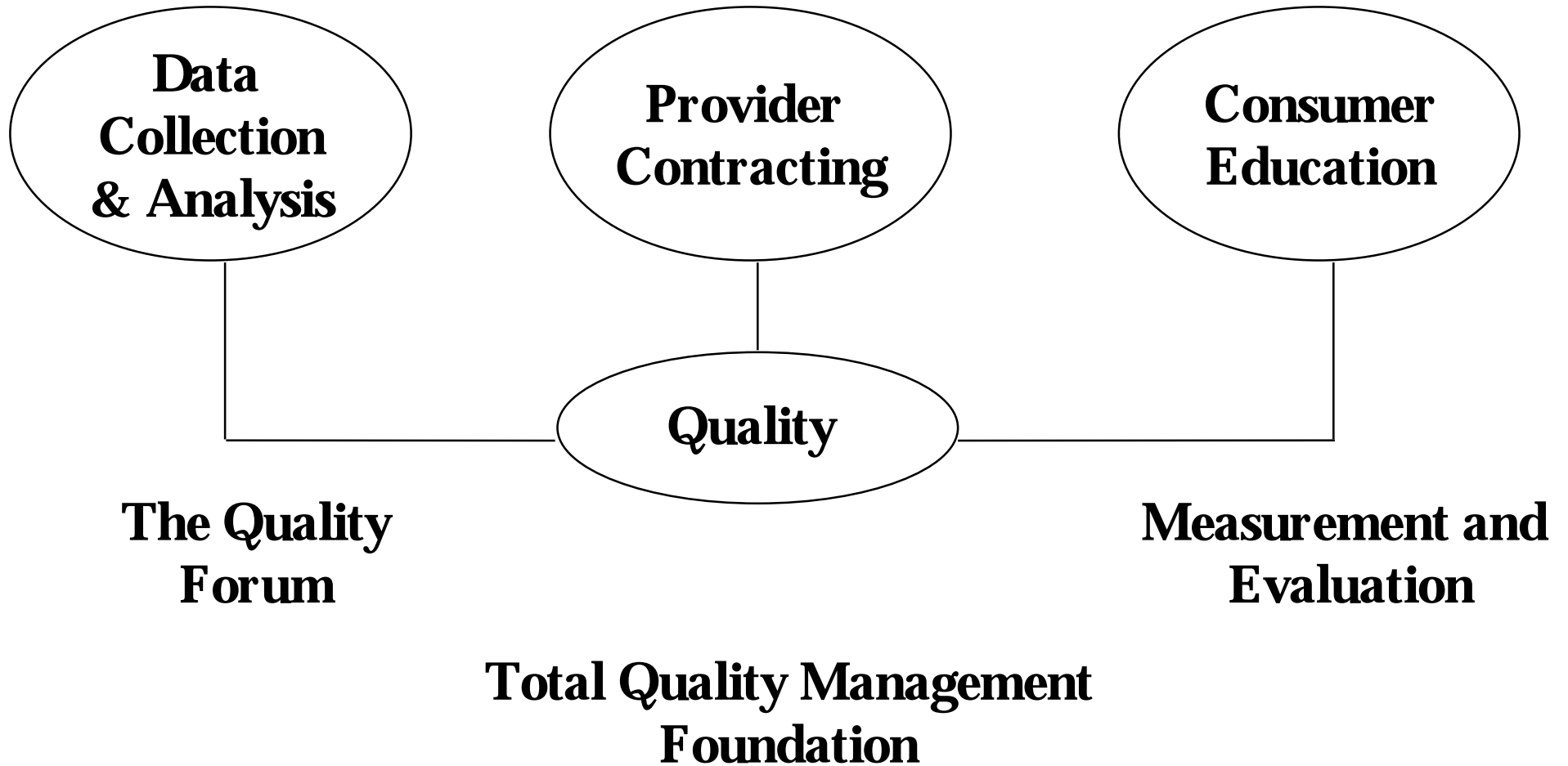
The Alliance Mission

To unify and lead all member employers in the pursuit of a value-based, market-driven health care system.

This means:

- ◆ **purchasing on the basis of quality and cost;**
- ◆ **promoting improvement in individual and community health status; and**
- ◆ **creating and sustaining value-added partnerships between employers and providers.**

Alliance Services



Reasons to Pursue a Small Group Initiative

- ▲ Bring the benefits of pooled purchasing to small employers (good “corporate citizens”)
- ▲ Mitigate effects of cost shifting
- ▲ Increase access to basic coverage among a traditionally under-served market segment
- ▲ Strengthen/enhance position in the marketplace

Phase One:

Small Employer Initiative (SEI)

- ▲ Initiated in 1993**
- ▲ Fully insured indemnity product**
 - ◆ Blue Cross & Blue Shield
 - ◆ Midwest Security Insurance
- ▲ Alliance provider network**
- ▲ “Plain vanilla” product**

Phase Two: Alliance-Chamber Health Insurance Program (A-CHIP)

- ▲ Greater Madison Chamber of Commerce's (GMCC) 1994 membership survey found that finding affordable health insurance was primary concern**
- ▲ GMCC approached The Alliance**
- ▲ Founding chambers included GMCC, Sun Prairie, Monona, and New Glarus**

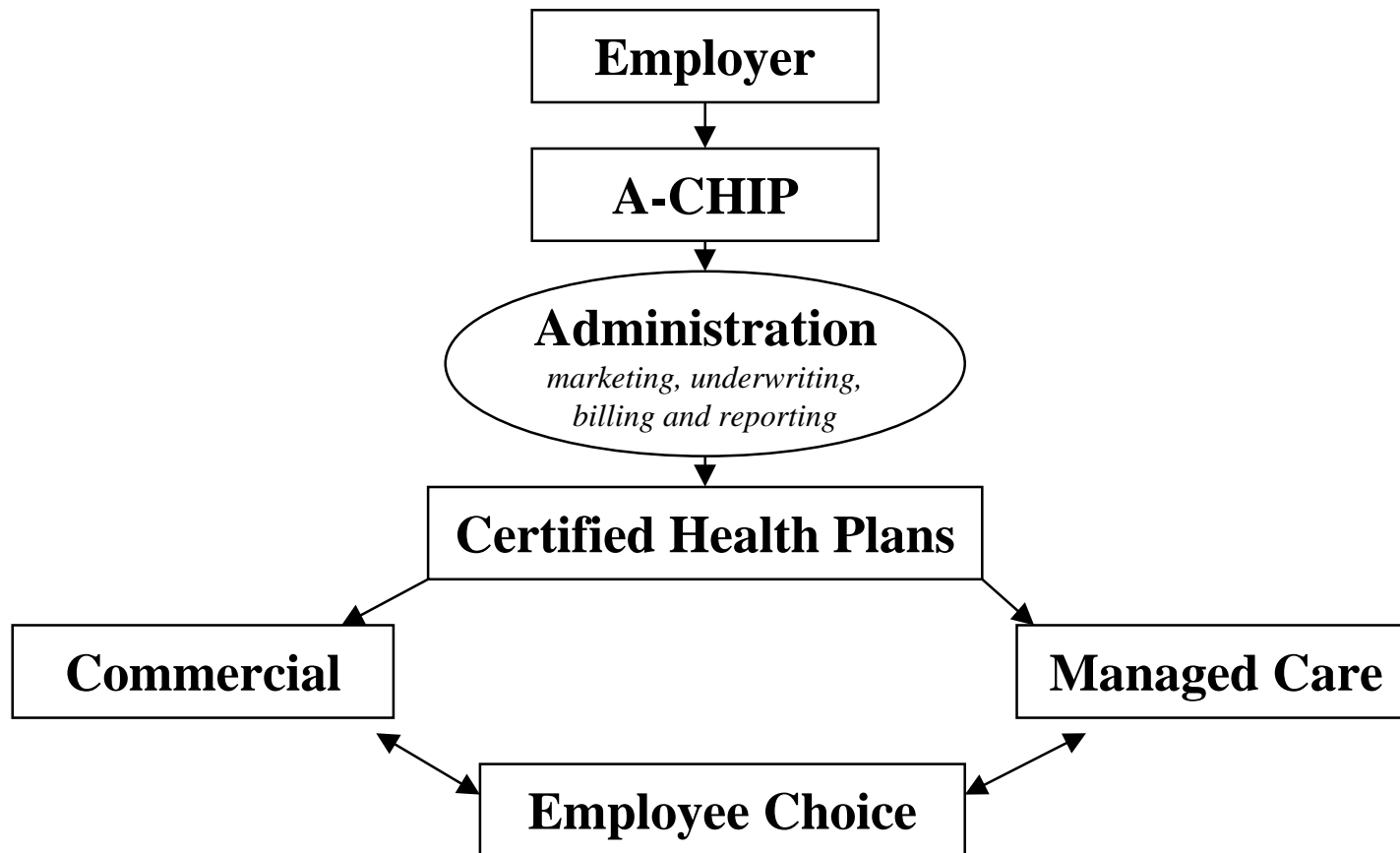
Original Goals of A-CHIP

- ▲ **Provide employers and employees with access to multiple health plans with comprehensive benefits.**
- ▲ **Stabilize premium increases of health plans through administrative accountabilities and efficiencies**
- ▲ **Minimize the barriers to accessing quality, cost-effective health insurance**

Original Program Design Components

- ▲ Available to small groups (under 100 employees) and sole proprietors
 - ▲ Rate stability
 - ▲ Competitive premiums
 - ▲ Participation of local health care providers
 - ▲ Reasonable underwriting standards
 - ▲ Range of coverage options
 - ▲ Use of chamber-member agents
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Original A-CHIP Model



Obstacles

- ▲ **Paradigm shift for insurers**
- ▲ **Voluntary participation by carriers**
- ▲ **Conflict for delivery systems that are also health plans**
- ▲ **Anxiety of traditional distribution channels**
- ▲ **Lack of underlying insurance market regulation**
 - ◆ **Underwriting**
 - ◆ **Rating**

Factors Influencing the Selection of GHC

- ▲ **Willing to meet the program criteria**
- ▲ **Willing to modify their underwriting requirements, unlike any other carrier**
- ▲ **Responsive to small employers' needs**
- ▲ **Active commitment to the program's long-term success**
- ▲ **Great reputation as a high-quality plan**

Revised Program Components

- ▲ **Employers with 1-99 employees given 3 benefit plans to choose from, including optional dental**
- ▲ **All employers renew January 1**
- ▲ **Rate guarantee not to exceed 6% through 1/1/99**
- ▲ **Employers with less than 10 employees are individually underwritten; employers with more than 10 employees are underwritten by means of a group information form**

Program Launch

- ▲ **A-CHIP launched in Dane County in October 1996**
- ▲ **A-CHIP launched in Green County in May 1997 and Jefferson County in July 1997**
- ▲ **American Dental Plan offered in February 1997**

Distribution/Marketing

- ▲ **93% of groups were sold through health insurance agents that were specially trained**
- ▲ **27 chambers of commerce endorsed A-CHIP**
- ▲ **Special enrollments offered when chambers joined A-CHIP**
- ▲ **Media attention, advertising, brochures, flyers**

Factors Cited by Employers Who Joined A-CHIP

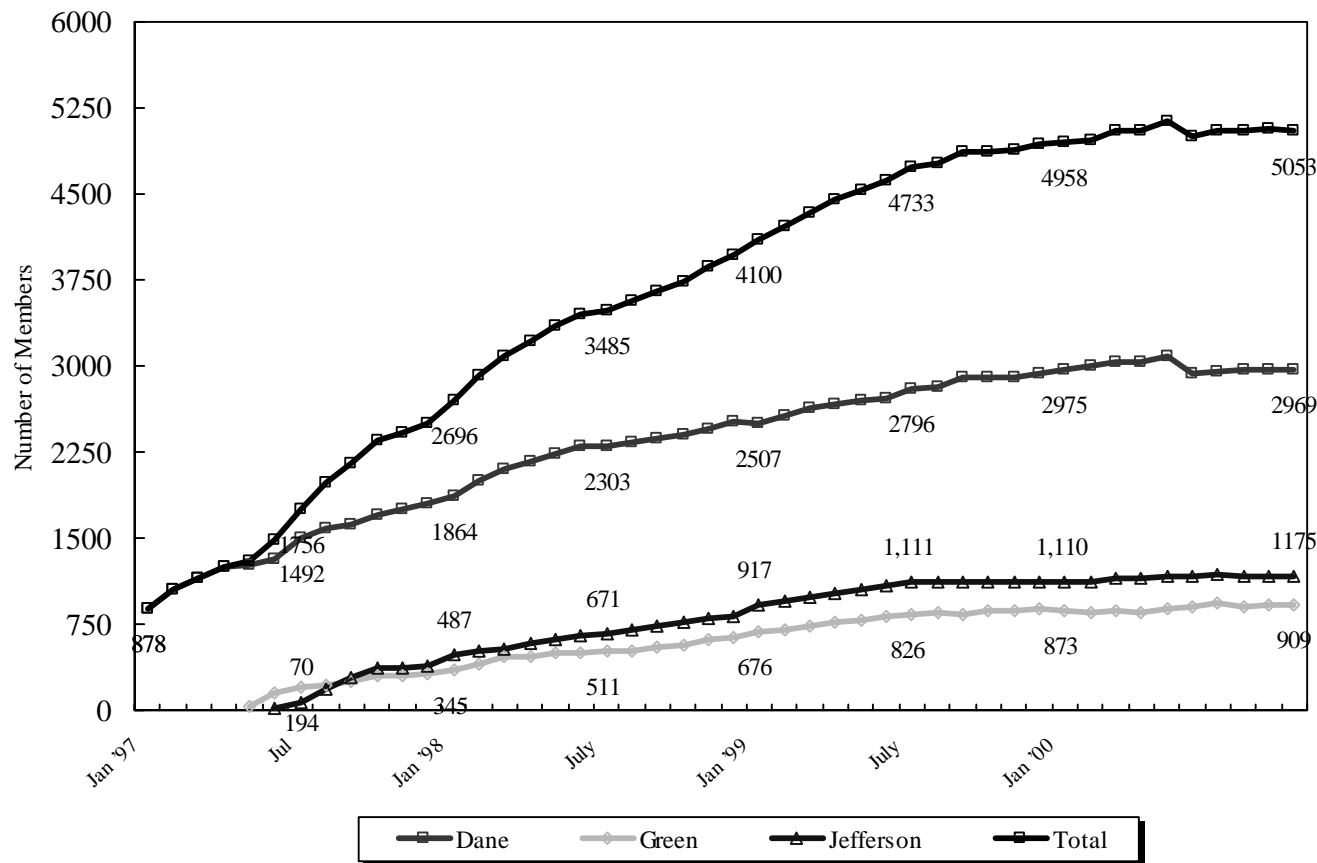
- ▲ High level of benefits
- ▲ Competitive premium
- ▲ Stable premium
- ▲ Simplicity of underwriting
- ▲ Chamber endorsement
- ▲ Group of one offering

Factors Cited by Employers Not Joining A-CHIP

- ▲ **Narrow scope of provider network**
- ▲ **Premium not competitive for certain market segments (e.g. young single males)**
- ▲ **A-CHIP offered an HMO carrier and some employers did not want to offer an HMO**

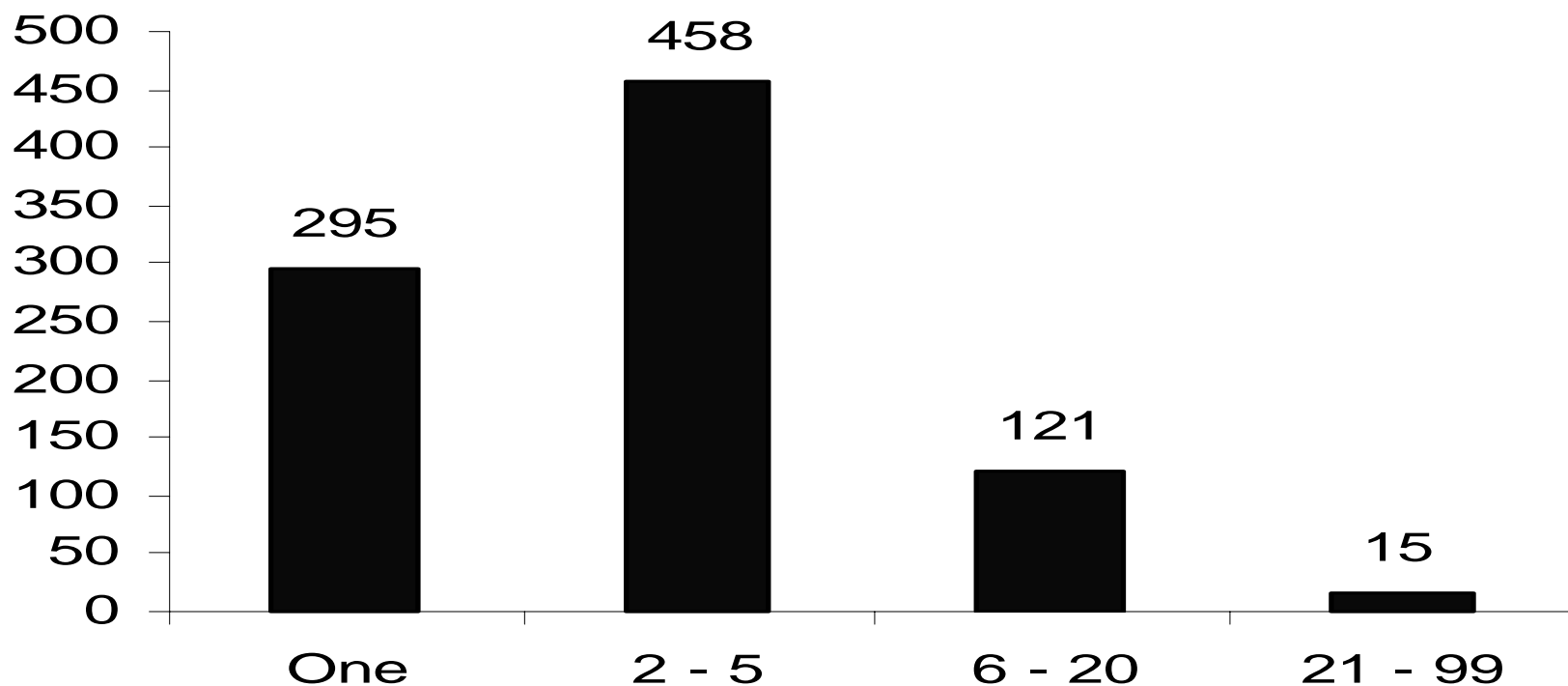
A-CHIP Enrollment by County

January 1997 - October 2000



A-CHIP by Group Size

October 2000



Program Modifications: 1999

- ▲ **Eliminated special enrollments**
- ▲ **Introduced a Point of Service plan (7/1/99)**
- ▲ **Required employers to be in business for one year before applying for coverage (7/1/99)**

Program Modifications: 2000

- ▲ **Froze enrollment of new groups of one (1/1/00)**
- ▲ **Introduced age and gender rating outside Dane County (1/1/00)**
- ▲ **Increased prescription drug co-pay (1/1/00)**
- ▲ **Increased premiums & eliminated the rate cap (1/1/00)**

Program Modifications: 2001

- ▲ Exit markets outside of Dane County
- ▲ Move groups of one out of A-CHIP
- ▲ Introduce age and gender rating in Dane County
- ▲ Benefit plan changes

Lessons Learned

- ▲ **A small employer's ability to offer affordable health insurance is complicated by multiple factors, some beyond their control**
- ▲ **Groups of one pose special challenges**
- ▲ **Innovation/creativity is limited by risk of adverse selection**
- ▲ **Management of distribution channel is important**

Policy Implications

- ▲ Insurance market reform
 - ◆ Mandates
 - ◆ Community rating
- ▲ Ability for small employers to obtain large employer 'clout'
- ▲ Incentive for carrier participation
- ▲ Tax incentive for individuals to purchase coverage